

Message Text

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PAGE 01 LONDON 14301 011934Z

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USMISSION EC BRUSSELS

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C O N F I D E N T I A L LONDON 14301

E.O. 11652: GDS

TAGS: EGEN, EEC, UK

SUBJECT: EC RENEGOTIATION: UK REACTION TO THE COMMISSION'S PAPER ON THE EC BUDGET

REF: A) EC BRUSSELS 8451; B) LONDON 6567

BEGIN SUMMARY: THE UK IS GENERALLY SATISFIED WITH THE COMMISSION'S PAPER ON THE EC BUDGET. WHILE THERE ARE SOME DIFFERENCES BETWEEN THE COMMISSION'S FIGURES AND THE UK'S OWN ESTIMATES, BRITISH OFFICIALS BELIEVE THAT THE COMMISSION HAS CONFIRMED THE BASIC POINTS THE UK HAS BEEN MAKING ABOUT THIS ISSUE. THE BRITISH HAVE NOT YET DECIDED WHERE TO GO FROM HERE. SOMEONE - THE UK, THE COMMISSION OR PERHAPS SOME OTHER MEMBER STATE - WILL HAVE TO MAKE A PROPOSAL. THE ISSUE WILL NOW BE DISCUSSED IN BI-CONFIDENTIAL
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PAGE 02 LONDON 14301 011934Z

LATERAL TALKS BETWEEN THE UK AND ITS EC PARTNERS, AT THE NOVEMBER 12-13 COUNCIL, AND PROBABLY AT THE EC SUMMIT.

END SUMMARY.

1. OFFICIALS AT THE FCO AND CABINET OFFICE CONFIRM THAT HMG IS GENERALLY SATISFIED WITH THE EC COMMISSION PAPER ANALYZING THE BURDEN OF THE COMMUNITY'S BUDGET ON THE MEMBER STATES (REF A).

2. THE BRITISH DID NOT EXPECT THE COMMISSION TO CONFIRM ALL THE ESTIMATES ON THE PAPER WHICH THEY CIRCULATED TO THE OTHER MEMBER STATES LAST SPRING (REF B). THEY ALSO CONSIDER THAT THE COMMISSION'S DECISION TO LIMIT ITS CALCULATIONS TO 1973 AND 1974 INSTEAD OF TRYING TO PROJECT THEM THROUGH 1980 IS A REASONABLE - IF CAUTIOUS - ONE.

3. ASIDE FROM THESE "SLIGHT DIFFERENCES IN THE FIGURES", THE BRITISH BELIEVE THAT THE COMMISSION'S CAREFULLY WORD-ED DOCUMENT CONFIRMS THE BASIC POINTS THAT THE UK HAS BEEN MAKING ON THE BUDGET ISSUE. THESE ARE: A) THAT THE UK'S GROWTH RATE IS BELOW THE COMMUNITY AVERAGE, AND THAT ITS SHARE OF TOTAL COMMUNITY GDP CAN BE EXPECTED TO DECLINE; B) THAT THE UK'S PERCENTAGE SHARE OF TOTAL EC BUDGET CONTRIBUTIONS WILL EXCEED ITS SHARE OF COMMUNITY GDP BY A WIDE MARGIN; AND C) THAT THIS DISPARITY COULD CREATE PROBLEMS FOR THE COMMUNITY IN THE FUTURE.

4. THE UK IS NOW WORKING OUT ITS TACTICS FOR THE NEXT PHASE IN THIS ASPECT OF EC RENEGOTIATION. THE BUDGET ISSUE WILL BE DISCUSSED AT THE NOVEMBER 12-13 EC COUNCIL, AND PRESUMABLY AT THE EC SUMMIT. IT WILL ALSO BE RAISED IN BILATERAL CONTACTS BETWEEN THE UK AND OTHER MEMBER STATES. THE UK WILL EITHER HAVE TO PROPOSE A SOLUTION TO THE BUDGET PROBLEM, OR PERSUADE THE COMMISSION - OR PERHAPS SOME OTHER MEMBER STATE - TO MAKE A PROPOSAL.

5. THE UK WANTS AN AGREEMENT THAT ENSURES THAT CONTRIBUTIONS WILL BE BROUGHT MORE CLOSELY INTO CONFORMITY WITH SHARES OF COMMUNITY GDP. ACCORDING TO A CABINET OFFICE OFFICIAL, THE UK WILL NOT BE SATISFIED WITH A SIMPLE REITERATION OF THE VAGUE ASSURANCE GIVEN BY THE
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PAGE 03 LONDON 14301 011934Z

COMMISSION DURING THE ENLARGEMENT NEGOTIATIONS THAT IF UNACCEPTABLE SITUATIONS ARISE, THE EC INSTITUTIONS WILL HAVE TO FIND EQUITABLE SOLUTIONS.

6. WHILE THE UK WOULD LIKE TO "BREAK THE BACK" OF THIS ISSUE BY THE END OF THIS YEAR, THEY EXPECT THAT DISCUSSIONS COULD WELL CONTINUE INTO THE FIRST FEW MONTHS OF 1975.

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